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Coordination of the policies and activities of the specialized agencies and other bodies of the United Nations system

Implementation of and follow-up to major United Nations conferences and summits

Letter dated 2 June 2004 from the Permanent Representatives of Finland and the United Republic of Tanzania to the United Nations addressed to the Secretary-General

We are pleased to draw your attention to the report entitled "A fair globalization: creating opportunities for all" (see annex). This report, issued by the World Commission on the Social Dimension of Globalization, which was co-chaired by President Tarja Halonen of Finland and President Benjamin William Mkapa of Tanzania, focuses, inter alia, on issues of governance and accountability and recommends, among other things, a series of coordinated measures across a broad front at both the national and the international level in the areas of trade, investment, finance, migration and labour.

In the light of importance of the report and its relevance to the work of the United Nations, particularly in the economic and social field, we would be grateful if it could be published as a document of both the Economic and Social Council and the General Assembly. In addition, we would like to request that it be included for

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consideration at the upcoming 2004 substantive session of the Economic and Social Council and at the fifty-ninth session of the General Assembly.

(*Signed*) Marjatta **Rasi**
Permanent Representative of Finland to the United Nations

(*Signed*) Augustine **Mahiga**
Permanent Representative of the United Republic of Tanzania
to the United Nations

Annex to the letter dated 2 June 2004 from the Permanent Representatives of Finland and the United Republic of Tanzania to the United Nations addressed to the Secretary-General

Report of the World Commission on the Social Dimension of Globalization entitled "A fair globalization: creating opportunities for all"

Introduction

Our remit, the Social Dimension of Globalization, is a vast and complex one. As a Commission we were broadly representative of the diverse and contending actors and interests that exist in the real world. Co-chaired by two serving Heads of State, a woman and a man, from North and South, we came from countries in different parts of the world and at all stages of development. Our affiliations were equally diverse: government, politics, parliaments, business and multinational corporations, organized labour, academia and civil society.

Yet, through a spirit of common purpose, we arrived at the shared understandings that are before you. As a collective document it is quite different from alternative reports each one of us would have written individually. But our experience has demonstrated the value and power of dialogue as an instrument for change. Through listening patiently and respectfully to diverse views and interests we found common ground.

We were spurred on by the realization that action to build a fair and inclusive process of globalization was urgent. This could only happen in the future through forging agreements among a broad spectrum of actors on the course for action. We are convinced that our experience can and should be replicated on a larger and wider scale, expanding the space for dialogue aimed at building consensus for action.

A vision for change

Public debate on globalization is at an impasse. Opinion is frozen in the ideological certainties of entrenched positions and fragmented in a variety of special interests. The will for consensus is weak. Key international negotiations are deadlocked and international development commitments go largely unfulfilled.

The report before you offers no miraculous or simple solutions, for there are none. But it is an attempt to help break the current impasse by focusing on the concerns and aspirations of people and on the ways to better harness the potential of globalization itself.

Ours is a critical but positive message for changing the current path of globalization. We believe the benefits of globalization can be extended to more people and better shared between and within countries, with many more voices having an influence on its course. The resources and the means are at hand. Our proposals are ambitious but feasible. We are certain that a better world is possible.

We seek a process of globalization with a strong social dimension based on universally shared values, and respect for human rights and individual dignity; one that is fair, inclusive, democratically governed and provides opportunities and tangible benefits for all countries and people.

To this end we call for:

- *A focus on people.* The cornerstone of a fairer globalization lies in meeting the demands of all people for: respect for their rights, cultural identity and autonomy; decent work; and the empowerment of the local communities they live in. Gender equality is essential.
- *A democratic and effective State.* The State must have the capability to manage integration into the global economy, and provide social and economic opportunity and security.
- *Sustainable development.* The quest for a fair globalization must be underpinned by the interdependent and mutually reinforcing pillars of economic development, social development and environmental protection at the local, national, regional and global levels.

- *Productive and equitable markets.* This requires sound institutions to promote opportunity and enterprise in a well-functioning market economy.
- *Fair rules.* The rules of the global economy must offer equitable opportunity and access for all countries and recognize the diversity in national capacities and developmental needs.
- *Globalization with solidarity.* There is a shared responsibility to assist countries and people excluded from or disadvantaged by globalization. Globalization must help to overcome inequality both within and between countries and contribute to the elimination of poverty.
- *Greater accountability to people.* Public and private actors at all levels with power to influence the outcomes of globalization must be democratically accountable for the policies they pursue and the actions they take. They must deliver on their commitments and use their power with respect for others.
- *Deeper partnerships.* Many actors are engaged in the realization of global social and economic goals – international organizations, governments and parliaments, business, labour, civil society and many others. Dialogue and partnership among them is an essential democratic instrument to create a better world.
- *An effective United Nations.* A stronger and more efficient multilateral system is the key instrument to create a democratic, legitimate and coherent framework for globalization.

Globalization and its impact

Globalization has set in motion a process of far-reaching change that is affecting everyone. New technology, supported by more open policies, has created a world more interconnected than ever before. This spans not only growing interdependence in economic relations – trade, investment, finance and the organization of production globally – but also social and political interaction among organizations and individuals across the world.

The potential for good is immense. The growing interconnectivity among people across the world is nurturing the realization that we are all part of a global community. This nascent sense of interdependence, commitment to shared universal values, and solidarity among peoples across the world can be channelled to build enlightened and democratic global governance in the interests of all. The global market economy has demonstrated great productive capacity. Wisely managed, it can deliver unprecedented material progress, generate more productive and better jobs for all, and contribute significantly to reducing world poverty.

But we also see how far short we still are from realizing this potential. The current process of globalization is generating unbalanced outcomes, both between and within countries. Wealth is being created, but too many countries and people are not sharing in its benefits. They also have little or no voice in shaping the process. Seen through the eyes of the vast majority of women and men, globalization has not met their simple and legitimate aspirations for decent jobs and a better future for their children. Many of them live in the limbo of the informal economy without formal rights and in a swathe of poor countries that subsist precariously on the margins of the global economy. Even in economically successful countries some workers and communities have been adversely affected by globalization. Meanwhile the revolution in global communications heightens awareness of these disparities.

A strategy for change

These global imbalances are morally unacceptable and politically unsustainable. What is required to change this is not the realization of a Utopian blueprint in one swoop. Rather

It is a series of coordinated changes across a broad front, ranging from reform of parts of the global economic system to strengthening governance at the local level. All this should and can be achieved in the context of open economies and open societies. Though interests diverge, we believe that there is increasing convergence of opinion throughout the world on the need for a fair and inclusive process of globalization.

We have formulated a wide-ranging set of recommendations to realize this. Given the necessary political will, immediate action is feasible on some trade and financial issues that have been the subject of protracted multilateral negotiations and discussion in policy circles. On these issues, the required course of action is clear but the urgent need for change has not yet dawned on some major players. Here continued advocacy and a stronger public opinion is essential to carry the proposals forward. Advocacy to prepare the ground for the consideration of new issues will also be important. But on these newer issues, such as the development of a multilateral framework for the cross-border movement of people or the accountability of international organizations, the prime lever for the decision to act is broad-based dialogue among State and non-State actors. Through this, consensus and resolve can be forged on what needs to be done, how, and by whom.

The governance of globalization

We judge that the problems we have identified are not due to globalization as such but to deficiencies in its governance. Global markets have grown rapidly without the parallel development of economic and social institutions necessary for their smooth and equitable functioning. At the same time, there is concern about the unfairness of key global rules on trade and finance and their asymmetric effects on rich and poor countries.

An additional concern is the failure of current international policies to respond adequately to the challenges posed by globalization. Market opening measures and financial and economic considerations predominate over social ones. Official Development Assistance (ODA) falls far short of the minimum amounts required even for achieving the Millennium Development Goals (MDGs) and tackling growing global problems. The multilateral system responsible for designing and implementing international policies is also under-performing. It lacks policy coherence as a whole and is not sufficiently democratic, transparent and accountable.

These rules and policies are the outcome of a system of global governance largely shaped by powerful countries and powerful players. There is a serious democratic deficit at the heart of the system. Most developing countries still have very limited influence in global negotiations on rules and in determining the policies of key financial and economic institutions. Similarly, workers and the poor have little or no voice in this governance process.

Beginning at home

There is thus a wide range of issues to be addressed at the global level. But this alone will not suffice. Global governance is not a lofty, disembodied sphere. It is merely the apex of a web of governance that stretches from the local level upwards. The behaviour of nation States as global actors is the essential determinant of the quality of global governance. Their degree of commitment to multilateralism, universal values and common goals, the extent of their sensitivity to the cross-border impact of their policies, and the weight they attach to global solidarity are all vital determinants of the quality of global governance. At the same time, how they manage their internal affairs influences the extent to which people will benefit from globalization and be protected from its negative effects. In this important sense the response to globalization can be said to begin at home. This reflects the simple but crucial fact that people live locally within nations.

We therefore anchor our analysis at the national level. We do not, of course, presume to make specific recommendations for all the greatly diverse countries of the world. Rather, we set out the broad goals and principles that can guide policy to deal more effectively with the social dimension of globalization, fully recognizing that their implementation must respond to the needs and specific conditions of each country. From this perspective it is clear that national governance needs to be improved in all countries, albeit more radically in some than in others. There is wide international agreement on the essentials which we must all urgently strive for:

- good political governance based on a democratic political system, respect for human rights, the rule of law and social equity.
- an effective State that ensures high and stable economic growth, provides public goods and social protection, raises the capabilities of people through universal access to education and other social services, and promotes gender equity.
- a vibrant civil society, empowered by freedom of association and expression, that reflects and voices the full diversity of views and interests. Organizations representing public interests, the poor and other disadvantaged groups are also essential for ensuring participatory and socially just governance.
- strong representative organizations of workers and employers are essential for fruitful social dialogue.

The highest priority must be given to policies to meet the central aspiration of women and men for decent work; to raise the productivity of the informal economy and to integrate it into the economic mainstream; and to enhance the competitiveness of enterprises and economies.

Policy must focus squarely on meeting peoples' needs where they live and work. It is thus essential to nurture local communities through the devolution of power and resources and through strengthening local economic capabilities, cultural identity, and respecting the rights of indigenous and tribal peoples.

Nation States should also strengthen regional and sub-regional cooperation as a major instrument for development and for a stronger voice in the governance of globalization. They should reinforce the social dimension of regional integration.

Reform at the global level

At the global level, we have more specific recommendations to make. Some key ones are highlighted below.

Global rules and policies on trade and finance must allow more space for policy autonomy in developing countries. This is essential for developing policies and institutional arrangements best suited to their level of development and specific circumstances. Existing rules that unduly restrict their policy options for accelerating agricultural growth and industrialization and for maintaining financial and economic stability need to be reviewed. New rules must also respect this requirement. The policies of international organizations and donor countries must also shift more decisively away from external conditionality to national ownership of policies. Affirmative action provisions in favour of countries that do not have the same capabilities as those who developed earlier need to be strengthened.

Fair rules for trade and capital flows need to be complemented by fair rules for the cross-border movement of people. International migratory pressures have increased and problems such as trafficking in people and the exploitation of migrant workers have intensified. Steps have to be taken to build a multilateral framework that provides uniform and transparent rules for the cross-border movement of people and balances the interests of both migrants themselves and of countries of origin and destination. All countries stand to benefit from an orderly and managed process of international migration that can enhance global productivity and eliminate exploitative practices.

Global production systems have proliferated, generating the need for new rules on Foreign Direct Investment (FDI) and on competition. A balanced and development-friendly multilateral framework for FDI, negotiated in a generally accepted forum, will benefit all countries by promoting increased direct investment flows while limiting the problems of incentive competition which reduce the benefits from these flows. Such a framework should balance private, workers' and public interests, as well as their rights and responsibilities. Cooperation on cross-border competition policy will make global markets more transparent and competitive.

Core labour standards as defined by the ILO provide a minimum set of global rules for labour in the global economy and respect for them should be strengthened in all countries. Stronger action is required to ensure respect for core labour standards in Export Processing Zones (EPZs) and, more generally, in global production systems. All relevant international institutions should assume their part in promoting these standards and ensure that no aspect of their policies and programmes impedes implementation of these rights.

The multilateral trading system should substantially reduce unfair barriers to market access for goods in which developing countries have comparative advantage, especially textiles and garments and agricultural products. In doing so, the interests of the Least Developed Countries (LDCs) should be safeguarded through special and differential treatment to nurture their export potential.

A minimum level of social protection for individuals and families needs to be accepted and undisputed as part of the socio-economic 'floor' of the global economy, including adjustment assistance to displaced workers. Donors and financial institutions should contribute to the strengthening of social protection systems in developing countries.

Greater market access is not a panacea. A more balanced strategy for sustainable global growth and full employment, including an equitable sharing among countries of the responsibility for maintaining high levels of effective demand in the global economy, is essential. Enhanced coordination of macroeconomic policies among countries to this end is a key requirement. A successful global growth strategy will ease economic tensions among countries and make market access for developing countries easier to achieve.

Decent Work for all should be made a global goal and be pursued through coherent policies within the multilateral system. This would respond to a major political demand in all countries and demonstrate the capacity of the multilateral system to find creative solutions to this critical problem.

The international financial system should be made more supportive of sustainable global growth. Cross-border financial flows have grown massively but the system is unstable, prone to crises and largely bypasses poor and capital scarce countries. Gains in the spheres of trade and FDI cannot be fully reaped unless the international financial system is reformed to achieve greater stability. In this context developing countries should be permitted to adopt a cautious and gradual approach to capital account liberalization and more socially sensitive sequencing of adjustment measures in response to crises.

A greater effort is required to mobilize more international resources to attain key global goals, particularly the MDGs. The 0.7 per cent target for ODA must be met and new sources for funding over and above this target should be actively explored and developed.

The implementation of reforms in international economic and social policy will require worldwide political support, the commitment of key global actors, and the strengthening of global institutions. The UN multilateral system constitutes the core of global governance and is uniquely equipped to spearhead the process of reform. For it to cope with the current and emerging challenges of globalization it has to enhance its effectiveness and improve the quality of its governance, especially with respect to democratic representation and decision-making, accountability to people, and policy coherence.

We call on developed countries to reconsider their decision to maintain zero nominal growth in their mandated contributions to the UN system. It is essential that the international community agree to increase financial contributions to the multilateral system and

reverse the trend towards raising voluntary contributions at the expense of mandatory ones.

Heads of State and Government should ensure that the policies pursued by their countries in international fora are coherent and focus on the well-being of people.

Parliamentary oversight of the multilateral system at the global level should be progressively expanded. We propose the creation of a Parliamentary Group concerned with the coherence and consistency between global economic, social and environmental policies, which should develop an integrated oversight of major international organizations.

A critical requirement for better global governance is that all organizations, including UN agencies, should become more accountable to the public at large for the policies they pursue. National parliaments should contribute to this process by regularly reviewing decisions taken by their countries' representatives to these organizations.

Developing countries should have increased representation in the decision-making bodies of the Bretton Woods Institutions, while the working methods in the World Trade Organization (WTO) should provide for their full and effective participation in its negotiations.

Greater voice should be given to non-State actors, especially representative organizations of the poor.

The contributions of business, organized labour, Civil Society Organizations (CSOs), and of knowledge and advocacy networks to the social dimension of globalization should be strengthened.

Responsible media can play a central role in facilitating a movement towards a fairer and more inclusive globalization. Well-informed public opinion on issues raised in this Report is essential to underpin change. Policies everywhere therefore need to emphasize the importance of diversity in information and communication flows.

Mobilizing action for change

We believe that broad-based dialogue on our recommendations, especially on issues that are not currently being negotiated on the global agenda, is the essential first step in mobilizing action for change. It is of primary importance that such dialogue begins at the national level in order to construct the foundations of the necessary consensus and political will.

At the same time the multilateral system has to play a pivotal role in carrying forward reforms at the global level. We propose a new operational tool for upgrading the quality of policy coordination between international organizations on issues in which the implementation of their mandates intersect and their policies interact. Policy Coherence Initiatives should be launched by the relevant international organizations to develop more balanced policies for achieving a fair and inclusive globalization. The objective would be to progressively develop integrated policy proposals that appropriately balance economic, social, and environmental concerns on specific issues. The first initiative should address the question of global growth, investment, and employment creation and involve relevant UN bodies, the World Bank, the International Monetary Fund (IMF), the WTO, and the ILO. Priority areas for other such initiatives include gender equality and the empowerment of women; education; health; food security; and human settlements.

A series of multi-stakeholder Policy Development Dialogues should also be organized by relevant international organizations to further consider and develop key policy proposals – such as a multilateral framework for the cross-border movement of people, a development framework for FDI, the strengthening of social protection in the global economy, and new forms of accountability of international organizations.

A Globalization Policy Forum should be organized by the UN and its specialized agencies to review on a regular and systematic basis the social impact of globalization. Participating organizations could produce a periodic 'State of Globalization Report'.

Our proposals call for a wider and more democratic participation of people and countries in the making of policies that affect them. And they also require those with the capacity and power to decide – governments, parliaments, business, labour, civil society and international organizations – to assume their common responsibility to promote a free, equitable and productive global community.